



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 9, 2001

S. 950

Federal Reformulated Fuels Act of 2001

*As ordered reported by the Senate Committee on Environment and Public Works
on September 25, 2001*

SUMMARY

The Clean Air Act (CAA) Amendments of 1990 set up the reformulated gasoline program (RFG), which requires regions in certain states with severe air pollution to use reformulated gasoline. Other states are given the option of participating in the RFG program. Participating states are required to add chemicals called “oxygenates” to gasoline to reduce pollution from fuel emissions. One of the most commonly used oxygenates is methyl tertiary butyl ether (MTBE), but in recent years concerns have been raised about the effects of MTBE on drinking water.

Under S. 950, the use of MTBE would be banned four years after enactment. This bill also would allow states who chose to opt-in to the RFG program to waive the oxygenate requirement in gasoline sold in their respective states. S. 950 would authorize the appropriation of \$370 million over the 2002-2006 period from the Environmental Protection Agency’s (EPA’s) Leaking Underground Storage Tank (LUST) Trust Fund. This funding would be used for grants to states for the cleanup and treatment of MTBE contamination and for enforcement and inspection activities related to any LUST sites.

S. 950 also would authorize the appropriation of \$750 million to EPA over the 2002-2004 period for grants to assist manufacturers of MTBE to convert facilities to produce substitute fuel additives instead of MTBE. This bill also would require EPA to draft and publish various notices and rules concerning discontinuing the use of MTBE, and to conduct several studies on motor vehicle fuels and emissions standards.

Assuming appropriation of the authorized necessary amounts, CBO estimates that implementing S. 950 would cost about \$1 billion over the 2002-2006 period. The bill would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

S. 950 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, and tribal governments. The act would benefit states by authorizing \$370 million in grants from the LUST Trust Fund for a variety of activities. S. 950 also would benefit states by giving them flexibility in determining whether to use oxygenates in their gasoline.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 950 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
SPENDING SUBJECT TO APPROPRIATION						
LUST Spending Under Current Law						
Budget Authority ^a	72	0	0	0	0	0
Estimated Outlays	70	53	29	11	4	0
Proposed Changes						
LUST Program						
Authorization Level	0	250	30	30	30	30
Estimated Outlays	0	63	95	81	51	41
Grants to MTBE manufacturers						
Authorization Level	0	250	250	250	0	0
Estimated Outlays	0	100	213	250	150	38
EPA Administrative Support						
Estimated Authorization Level	0	3	4	2	2	2
Estimated Outlays	0	3	4	2	2	2
Total Spending Under S. 950						
Estimated Authorization Level	72	503	284	282	32	32
Estimated Outlays	70	219	341	344	207	81

a. The 2001 level was appropriated to the Environmental Protection Agency to administer the LUST program in that year. This program has not yet received a full-year appropriation for 2002.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the beginning of fiscal year 2002, that the full amounts authorized will be appropriated for each fiscal year, and that outlays will occur at rates similar to EPA's LUST program and other similar grant programs.

S. 950 would authorize the appropriation of \$1.1 billion over the 2002-2006 period and also would increase EPA's costs for administrative activities that are not specifically authorized under the bill. This legislation would make EPA responsible for various activities related to discontinuing the use of MTBE, such as drafting and issuing notices and conducting various studies related to motor vehicle fuels and emissions standards. Based on information from EPA, CBO estimates that conducting this work would cost about \$13 million, subject to the availability of appropriated funds.

PAY-AS-YOU-GO CONSIDERATIONS: None.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 950 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The bill would benefit states by authorizing the appropriation of \$370 million in grants from the LUST Trust Fund for a variety of activities. S. 950 also would benefit states by giving them flexibility in determining whether to use oxygenates in their gasoline.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

CBO's estimate of the bill's impact on the private sector will be provided at a later date.

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